

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 IO-10 ISO-00 TRSE-00 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 RSC-01 USIA-06 PRS-01 SP-02

CCO-00 OTPE-00 FCC-01 COME-00 BIB-01 OC-05 ACDA-05

PM-03 L-02 NASA-01 NSC-05 OES-03 NSF-01 EUR-12 /084 W

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R 221330Z JAN 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 9933

INFO AMEMBASSY BEIRUT

AMEMBASSY CAIRO

USDOC

AMCONSUL DHAHRAN

AMEMBASSY TUNIS

USMISSION GENEVA

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PASS TREASURY FOR PARSKY; PASS NATIONAL SCIENCE FOUNDATION

E.O. 11652: N/A

TAGS: ETEL, MASS, MCAP, EAID, BEXP, SA, US

SUBJECT: DOMESTIC SATELLITE SALE TO SAUDI ARABIA

REF STATE 12104

SUMMARY: EMBASSY BEST JUDGEMENT IS THAT HUGHES SALES APPROACH TO SAUDI ARABIA ON DOMESTIC SATELLITE WOULD IMPROVE THEIR CHANCES THAT SAG WOULD SUPPORT CHOICE OF HUGHES CONSORTIUM FOR ALL-ARAB SATELLITE.
DEPUTY MINISTER COMMUNICATIONS OMAR FAQUIEH WILLING TO MEET WITH HUGHES OR OTHER CONSORTIUM REPRESENTATIVE TO DISCUSS MATTER. END SUMMARY

1. EMBASSY APPRECIATES RESPONSE OF CAGNE IN ESTABLISH-

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ING A TASK FORCE TO EVALUATE THE POSSIBILITY OF

OFFERING SAUDI ARABIA A DOMESTIC SATELLITE. THE WORK OF THE GROUP HAS ALREADY IMPROVED OUR UNDERSTANDING OF THE COMPLEXITIES OF THE ISSUES IN EVEN OFFERING SAUDI ARABIA HELP IN ACHIEVING AN ALL-COUNTRY CAPABILITY FOR BOTH CIVILIAN DEVELOPMENT AND DEFENSE IN A MUCH SHORTER PERIOD OF TIME THAN WILL BE POSSIBLE UNDER PRESENT SAUDI PLANNING.

2. EMBASSY HAS NOT BEEN ABLE TO EVALUATE FULLY THE POSSIBILITY OF A DOMESTIC SATELLITE BEING INCLUDED IN THE NEXT FIVE-YEAR PLAN; WE TALKED WITH DEPUTY MINISTER COMMUNICATIONS OMAR FAQUIEH, WITH THE HEAD OF THE STANFORD RESEARCH GROUP PETER DUNCAN, WHO IS RESPONSIBLE FOR MUCH OF THE WORK IN THIS AREA, AND WITH THE SOMETIMES ACTING MINISTER OF COMMUNICATIONS, ABDULAZIZ QURAISHI, NOW GOVERNOR OF THE SAUDI ARABIAN MONETARY AGENCY. WE HAVE BEEN UNABLE TO DISCUSS THE MATTER WITH ARTHUR D. LITTLE ASSOCIATES, NOR WITH DEPUTY MINISTER OF COMMUNICATIONS HUSSEIN MANSURI.

3. GOVERNOR QURAISHI WAS OF THE OPINION THAT IF HUGHES OR ANYONE ELSE SHOULD SELL SAUDI ARABIA ON A DOMESTIC SATELLITE, IT WOULD IMPROVE THAT COMPANY'S SALES PROSPECTS FOR THE ARAB SATELLITE PROJECT. (QURAISHI IS PROBABLY NO LONGER A MEMBER OF THE THREE-MAN MINISTERIAL PLANNING COMMITTEE, THOUGH THAT IS UNCLEAR, BUT HE CERTAINLY HAS SUBSTANTIAL INFLUENCE ON COMMUNICATIONS POLICY DISCUSSIONS WITHIN THE SAUDI GOVERNMENT.)

4. STANFORD RESEARCH INSTITUTE PETER DUNCAN CONFIRMS THAT THE ARTHUR D. LITTLE COMMUNICATIONS STUDY HAS LESS THAN A PARAGRAPH REGARDING POSSIBILITY OF A DOMESTIC COMMUNICATIONS SATELLITE SYSTEM. HE EXPRESSED PUZZLEMENT AS TO WHY THERE WAS NOT MORE COMPLETE DISCUSSION OF THE UTILITY OF USING TELECOMMUNICATIONS OF THIS VARIETY FOR REACHING REMOTE VILLAGES ALONG THE LINES OF THE CANADIAN EXPERIENCE (HE IS HIMSELF A NEW ZEALANDER) IN VIEW OF THE REPORTED PURCHASES OF LIMITED OFFICIAL USE

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SUCH SATELLITE SYSTEMS BY IRAN AND INDONESIA. SINCE THE ADL REPORT HAD NOT DWELT ON THE POSSIBILITY OF A SATELLITE, EITHER NOW OR IN THE FUTURE, HE HAD NOT SEEN FIT TO RAISE THE SUBJECT DURING THE BRIEFINGS AND PREPARATION OF THE FIVE-YEAR PLAN ON TELECOMMUNICATIONS.

5. DEPUTY MINISTER OMAR FAQUIEH TOLD ECON COUNSELOR

JAN 18 THAT SUBJECT OF SATELLITE COMMUNICATIONS FOR REACHING REMOTE AREAS IN SAUDI ARABIA FOR PURPOSES OF EDUCATION AND DEFENSE HAD BEEN RAISED WITH CENTRAL PLANNING ORGANIZATION PRESIDENT HISHAM NAZER DURING OR IMMEDIATELY AFTE THE ADL PRESENTATION. NAZER HAD QUERIED AS TO WHY THERE HAD BEEN NO CONSIDERATION GIVEN TO A DOMESTIC SATELLITE FOR SAUDI ARABIA? FAQUIEH SAID HE HAD REPLIED THAT HE DID NOT KNOW BUT PERHAPS IT HAD SOMETHING TO DO WITH THE ARAB'S SATELLITE CAPABILITY FOR PROVIDING SOME OF THE NEEDED TELE-COMMUNICATIONS WITHIN THE COUNTRY. (THIS IS KEY POINT AND SHOULD BE DISCUSSED WITH HUGHES: IS THE ARAB SATELLITE CAPABLE OF PROVIDING FULL SCALE EDUCATIONAL TELEVISION WITHIN SAUDI ARABIA AND PROVIDING DEFENSE TELECOMMUNICATIONS AT THE SAME TIME?)

6. FAQUIEH WENT ON TO ADD THAT HE WOULD LIKE, IN VIEW OF NAZER'S QUERY, TO HAVE A CONFIDENTIAL DISCUSSION WITH A PERSON OR SMALL TEAM CONCERNING WHAT A DOMESTIC SATELLITE SYSTEM COULD DO FOR SAUDI ARABIA, THE TIME FRAME IN WHICH IT COULD BE ACCOMPLISHED, AND THE PHASE-IN OF A SATELLITE WITH THE BACKBONE AND OTHER MICROWAVE INSTALLATIONS. HE SAID THAT SUCH A BRIEFING COULD THEN BE USED BY HIM WITH NAZER AND OTHER MEMBERS OF THE GOVERNMENT TO STIMULATE INTEREST IN ADOPTING A DOMESTIC SATELLITE APPROACH. HE ADDED THAT IF SAUDI ARABIA ADOPTED, FOR EXAMPLE, A HUGHES SATELLITE, IT WOULD IMPROVE MARKEDLY THE POSSIBILITY FOR HUGHES FOR THE ALL-ARAB SATELLITE.

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7. DURING SIMILAR CONVERSATION ON JAN 18 WITH
MINISTRY OF HEALTH COORDINATOR AND KEY PLANNER FOR
THE NEXT FIVE-YEAR PLAN, PRINCE SAUD ABDUL MUHSIN,
HE EXPRESSED INTEREST IN HAVING ALL-COUNTRY CAPABILITY
FOR HIS HOSPITAL COMMUNICATIONS SYSTEM. (HE WILL
BE IN WASHINGTON IN MARCH 1975.)

8. EMBASSY WOULD LIKE TO ANSWER THE QUESTIONS POSED
IN THE ATTACHMENT TO CAGNE REVIEW OF THE PROBLEM AS
FOLLOWS:

--WE DOUBT THAT WE SHOULD WAIT FOR SAUDIS TO PER-
CEIVE NEED FOR SAUDI DOMESTIC SATELLITE SYSTEM.
THEY WILL PERCEIVE IT WHEN THE SYSTEM IS SOLD TO THEM
ON THE BASIS THAT IT MAKES BEST POSSIBLE SENSE FOR
A COUNTRY ITS SIZE. UNDER NO CONDITIONS WOULD THEY
REFUSE TO JOIN THE ALL-ARAB SYSTEM. THE TWO
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ARE SUPPLEMENTARY TO EACH OTHER. WE DO NOT THINK
THE EMBASSY IS MISINTERPRETING THE SAUDI POSITION
THAT IF SAUDI ARABIA SHOULD CHOOSE A DOMESTIC SATELLITE,
IT WOULD IMPROVE THE CHANCES FOR HUGHES TO WIN THE
ALL-ARAB SYSTEM. IN VIEW OF THE LIKELIHOOD THAT
U.S. FIRMS WILL CONTINUE TO FIND IT DIFFICULT TO
COMPETE FOR ONWARD CONTRACTS IN THE MICROWAVE FIELD
(THOUGH THIS WILL REMAIN UNCLEAR FOR SOME MONTHS),
WE WOULD THINK IT RATIONAL TO HAVE U.S. INVOLVEMENT IN
SAUDI GOVERNMENT COMMUNICATIONS THROUGH A SATELLITE
PROPOSAL.

--REGARDING ASSURANCES THAT SAG IS PREPARED TO
OFFER A TURNKEY CONTRACT TO A U.S. FIRM AND THAT
OUR FIRMS SHOULD BE ASSURED AGAINST INTERNATIONAL
COMPETITION, WE THINK THERE IS A CONNECTION BETWEEN
THIS ATTITUDE AND THE REASON WHY U.S. BUSINESS IN THE
TELECOMMUNICATIONS FIELD IS SO LIMITED AS COMPARED

WITH THOSE OF EUROPEAN FIRMS. IN THIS CONNECTION
REFERENCE IS MADE TO ASSURING ADL AND HUGHES THAT
THEIR BUSINESS INTERESTS WILL NOT BE JEOPARDIZED
BY SUBSEQUENT U.S. GOVERNMENT ACTIONS AND TO THE
HUGHES STUDY ON THE FEASIBILITY OF THE SAUDI DOMESTIC
SYSTEM. IN DISCUSSIONS WITH HUGHES IN AUGUST OF
1973 AT LOS ANGELES, THE FEASIBILITY OF SAUDI DOMES-
TIC SYSTEM DID NOT ARISE. ONLY QUESTION WAS
WHETHER HUGHES WANTED TO MOUNT A COMBINED SALES
APPROACH TO SAUDI ARABIA AND THE ARAB LEAGUE AT THE
SAME TIME. IT IS OUR BEST JUDGEMENT THAT IF HUGHES
HAD AT THAT TIME CHOSEN TO ENTER THE COMPETITION
IN SAUDI ARABIA, SAUDI INTEREST WOULD HAVE BEEN
RAISED TO THE POINT OF INCLUDING A SATELLITE SYSTEM
IN THE COMING FIVE-YEAR PLAN.

9. IT SEEMS TO US THAT THE QUESTION IS
WHETHER THE U.S. SHOULD COMPETE ONLY WITHIN THE
NARROW LIMITS OF A TELECOMMUNICATIONS PLAN FIRST
CONCEIVED FOUR OR FIVE YEARS AGO WHICH HAS BEEN UP-
DATED BUT WHICH HAS DELIBERATELY IGNORED SATELLITE TECHNOLOGY.
OUR OWN ADVANTAGE COMMERCIALLY AND THE ADVANTAGES TO SAUDI
ARABIA OF A DOMESTIC SATELLITE SYSTEM SEEMS APPARENT. ONLY
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QUESTION IS ONE OF WAITING UNTIL THE ARAB LEAGUE STRUGGLE OVER WHERE
THE EARTH STATION IS TO BE PLACED IS SETTLED OR GOING AHEAD NOW.

10. EMBASSY RECOMMENDS THAT HUGHES BE ENCOURAGED
TO DISCUSS WITH THEIR CONSORTIUM PARTNERS POSSIBILITY
OF BRIEFING DEPUTY MINISTER OMAR FAQUIEH WITHIN THE
NEXT FEW WEEKS ON THE POSSIBILITY OF A DOMESTIC
SATELLITE FOR SAUDI ARABIA. WE ARE UNABLE TO UNDER-
STAND WHY THIS WOULD DIVIDE THE CONSORTIUM BUT
IF HUGHES IS UNABLE TO EVEN BRIEF THESE SAUDI
OFFICIALS (AND WE ARE NOT EXCLUDING THE POSSIBILITY
OF OTHER OFFICIALS BEING INTERESTED IN THIS SUBJECT)
THEN WE RECOMMEND THAT THIS INFORMATION BE TRANSMIT-
TED TO U.S. COMPETITORS AND THEY BE PERMITTED TO
APPROACH SAG REGARDING THE SUBJECT. THE CANADIAN
COMPETITION HAS ALREADY RAISED THE SUBJECT DURING
A RECENT VISIT BUT WE HAVE NO DETAILS AS TO HOW
HARD THEY PRESSED. ANY CONSORTIUM OR EFFORT SHOULD
OF COURSE INCLUDE FOLLOW-UP ON MAINTENANCE AND
OPERATION OF THE SYSTEM FOR SOME YEARS IN THE
FUTURE. WE WOULD ESTIMATE THE TOTAL PACKAGE FOR SUCH
A SYSTEM THROUGH 1980 MIGHT APPROACH HALF A BILLION
DOLLARS INCLUDING SOFTWARE SALES. IT IS A GAME WORTH
PLAYING.

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